TREASURY METALS

INCORPORATED

(An exploration stage company)

Audited Financial Statements

Years Ended December 31, 2009 and 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited financial statements of Treasury Metals Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the audited financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate control over its financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on "Internal Control Over Financial Reporting – Guidance for Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2009.

CONCLUSION RELATING TO DISCLOSURE CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of management, including the Chief Executive and Chief Financial Officers, of the effectiveness of the Company's disclosure controls and procedures as defined in the Multilateral Instrument 52-109. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2009.

"Scott Jobin-Bevans" "signed"

Chief Executive Officer

"Jim Fairbairn" "signed"

Chief Financial Officer

Collins Barrow
Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
TREASURY METALS INC.
(an exploration stage company)

We have audited the balance sheets of Treasury Metals Inc. as at December 31, 2009 and 2008 and the statements of operations and deficit, comprehensive loss and accumulated comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
February 19, 2010

Treasury Metals Inc.
(An exploration stage company)

Balance Sheets

As at December 31,		2009		2008
Assets				
Current Assets				
Cash and cash equivalents	$	1,278,652	$	165,848
Short-term investments		-		9,782
Accounts receivable and other assets		130,702		319,684
Investments (Note 5)		-		169,941
Due from Laramide Resources Ltd. (Note 9 (iii))		-		24,270
		1,409,354		689,525
Investments (Note 5)		1,750,105		686,433
Mineral properties and related deferred costs (Note 6)		36,461,765		34,983,407
	$	39,621,224	$	36,359,365
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (Note 9 (ii & iv))	$	634,301	$	644,582
Due to Laramide Resources Ltd.(Note 9 (iii))		3,958		-
		638,259		644,582
Future tax liability (Note 10)		950,000		-
Shareholders' Equity				
Capital stock (Note 7)		41,826,205		41,637,509
Contributed surplus (Note 8)		1,596,841		543,888
Deficit		(3,830,100)		(3,123,617)
Accumulated other comprehensive loss		(1,559,981)		(3,342,997)
		38,032,965		35,714,783
	$	39,621,224	$	36,359,365

Commitments (Note 11)

Approved by the Board of Directors:

“Doug Bache” “signed”	“William Fisher” “signed”
Director	*Director*

The accompanying notes are an integral part of these financial statements.

Treasury Metals Inc.
(An exploration stage company)

Statements of Operations and Deficit

Years Ended December 31,		**2009**		**2008**
Revenue				
Interest income	$	56	$	47,891
Royalty income - net		433,027		529,531
		433,083		577,422
Expenses				
Administrative, office and shareholder services		560,385		406,519
Professional fees		320,191		433,362
Salary and benefits		99,053		101,121
Extension Fee		-		81,664
Stock-based compensation (Note 7)		544,000		-
		1,523,629		1,022,666
		(1,090,546)		(445,244)
Loss on disposal of investments (Note 9 (iii))		(244,937)		(2,552,787)
Loss before income taxes		(1,335,483)		(2,998,031)
Future income tax recovery (Note 10)		629,000		-
Net loss		(706,483)		(2,998,031)
Deficit, beginning of year		(3,123,617)		(125,586)
Deficit, end of year		(3,830,100)		(3,123,617)
Loss per share-basic and fully diluted	$	(0.02)	$	(0.13)
Weighted average number of shares outstanding		30,013,495		23,237,204

The accompanying notes are an integral part of these financial statements.

Treasury Metals Inc.
(An exploration stage company)

Statements of Comprehensive Income (Loss) and Accumulated Comprehensive Income (Loss)

Years Ended December 31,		2009		2008
Net loss	$	(706,483)	$	(2,998,031)
Other comprehensive income (loss)				
Change in unrealized loss on investments		1,538,079		(6,158,295)
Reclassification of realized loss on sale of investments		244,937		2,552,787
		1,783,016		(3,605,508)
Comprehensive income (loss)	$	1,076,533	$	(6,603,539)

Years Ended December 31,		2009		2008
Accumulated comprehensive Income (loss), beginning of year	$	(3,342,997)	$	262,511
Other comprehensive loss for the year		1,783,016		(3,605,508)
Accumulated comprehensive loss, end of year	$	(1,559,981)	$	(3,342,997)

The accompanying notes are an integral part of these financial statements.

Treasury Metals Inc.
(An exploration stage company)

Statements of Cash Flows

Years Ended December 31,	2009	2008
Operating Activities		
Net loss	$ (706,483)	$ (2,998,031)
Adjustments to reconcile net loss to cash flow from operating activities:		
Loss on disposal of investments	244,937	2,552,787
Amortization	-	2,045
Future income tax recovery	(629,000)	-
Stock-based compensation	544,000	-
Net change in non-cash working capital items:		
Accounts receivable and other assets	188,982	(309,963)
Accounts payable and accrued liabilities	(10,281)	227,043
Cash flow used in operating activities	(367,845)	(526,119)
Financing Activities		
Due to Laramide Resources Ltd.	28,228	6,433,420
Debenture payment	-	(6,137,229)
Equity financings, net of issue costs	1,827,999	4,650,741
Cash flow provided from financing activities	1,856,227	4,946,932
Investing Activities		
Sale (Purchase) of short-term investments	9,782	(9,782)
Sale of investments	644,348	-
Acquisitions of mineral properties and related deferred costs	(1,029,708)	(4,350,005)
Cash flow used in investing activities	(375,578)	(4,359,787)
Net increase in cash and cash equivalents	1,112,804	61,026
Cash and cash equivalents, beginning of year	165,848	104,822
Cash and cash equivalents, end of year	$ 1,278,652	$ 165,848
Supplementary Cash Flow Information:		
Changes in non-cash investing and financing activities:		
Shares issued for purchase of mineral properties	$ 258,650	$ -
Shares issued for conversion of debenture	$ -	$ 6,135,000
Shares issued for commission on private placement	$ 34,000	$ -
Investments issued in lieu of indebtedness to Laramide Resources Ltd.	$ -	$ 5,055,024

The accompanying notes are an integral part of these financial statements.

1. *Nature of Operations*

Treasury Metals Inc. (the "Company" or "Treasury Metals") is incorporated under the laws of Ontario. The mineral properties of Treasury Metals are all in the exploration stage and, on the basis of information to date, do not yet have economically recoverable reserves. The recoverability of the amounts shown in the balance sheets for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in its properties and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the properties.

2. Summary of Significant Accounting Policies

Mineral Properties and Related Deferred Costs

The Company records its interest in mineral properties at cost. Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. If the property is placed into production, deferred costs will be amortized and depleted using the straight line method over the estimated economic life of the mine. The deferred costs would be written off if the property is sold or abandoned.

The amounts shown for mineral properties and related deferred costs represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand and other highly liquid short-term investments, which may be settled on demand or within a maximum 90 day period from year end to maturity.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates. Areas where management uses subjective judgment include, but are not limited to, recoverability of mineral properties and related deferred costs, future income taxes and the valuation of warrants and options. Management believes that these estimates are reasonable.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted tax rates expected to apply when these temporary differences are expected to reverse. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

2. Summary of Significant Accounting Policies (continued)

Loss Per Share

Loss per share and is calculated based on the weighted average number of shares issued and outstanding during the year. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same.

Revenue Recognition

Royalty revenue consists of a 2.5% sliding production royalty ("NSR") on gold that is produced at the Cerro Colorado Gold Project in Mexico. Revenue is recorded in the period the gold is sold. Interest revenue is recognized when earned and gains (losses) on sale of investments are recognized on the transaction date.

Short – term Investments

Short-term investments are liquid investments with a maturity greater than three months, but less than one year and are recorded at their cost, which approximates fair value.

Flow-through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

The Emerging Issues Committee of the Canadian Institute of Chartered Accountants issued EIC146 under which the Company is required to recognize the future income tax liability upon filing renunciation documents with the tax authorities and to treat it as a cost of issuing the flow-through shares.

Financial Instruments

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and recognized in net income.

Effective January 1, 2009, Treasury adopted the amendment to CICA Handbook Section 3862, financial instruments, which requires disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

- i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- ii) Level 3: inputs for the asset or liability that are not based on observable market data.

2. Summary of Significant Accounting Policies (continued)

Other Stock-based Payments

The Company accounts for other stock-based payments based on the fair value of services granted or the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions at the measurement date, whichever is the more reliably measured.

Foreign Exchange

Monetary assets and liabilities have been translated at the exchange rate prevailing at the balance sheet dates. Income and expenses are translated at rates prevailing at the dates of the related transactions. Non-monetary assets, liabilities are translated at historic rates. Losses on foreign exchange for the year are included in the statements of operations.

Stock-based Compensation

The Company applies the fair-value based method to all stock options granted and warrants issued. Accordingly, compensation cost is measured at fair value at the date of grant and is expensed on a straight line basis over the vesting period, with the related credit included in contributed surplus. The applicable contributed surplus is transferred to share capital, if and when stock options are exercised. Any consideration paid on the exercise of stock options and warrants are credited to capital stock.

The Company uses the Black-Scholes option pricing model to determine the value of all issued options and warrants. The table in note 7 summarizes the assumptions used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2009 and 2008.

Asset Retirement Obligations

The Company adopted CICA 3110, “Asset Retirement Obligations” which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company’s estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

As at December 31, 2009 and 2008, the Company has not incurred or committed any asset retirement obligations.

Transaction Costs

The Company expenses transaction costs relating to its financial instruments.

2. Summary of Significant Accounting Policies (continued)

Account Reclassifications

Certain prior year amounts have been reclassified to conform to account presentation in the current year. The net loss stated in prior year has not been affected by these changes.

Future Accounting Pronouncements

Convergence with International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS is currently being evaluated.

Business combinations, financial statements & Non-controlling interests

In October 2008, the CICA issued Sections 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". Section 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601 carries forward the existing Canadian guidance on aspects of the preparation of financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company in the first quarter of fiscal 2011 with earlier adoption permitted. The Company does not expect that the adoption of these new Sections will have a material impact on its financial statements.

3. **Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

3. **Capital Management** (continued)

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, contributed surplus, accumulated other comprehensive loss and deficit, which as at December 31, 2009 totaled $38,032,965 (2008 - $35,714,783).

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short term guarantee deposits, all held with major Canadian financial institutions.

4. Financial Risk Factors

Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in other assets consist of receivables from unrelated companies. Management believes that the credit risk concentration with respect to financial instruments included in other assets is remote.

The Company has cash and non interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

Business Risk

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company's current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether. The success of the operations and activities is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgment, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company and its operations and financial performance.

4. ***Financial Risk Factors*** (continued)

Market Risk

Equity Price Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on its investments. The Company's other financial instruments (cash, accounts receivable, accounts payable and accrued liabilities) are not subject to price risk

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has no material currency exposure at December 31, 2009.

Fair Value

The Company has, designated its cash and cash equivalents as held-for-trading and investments as available for sale, which are measured at fair value. Fair value of short-term investments and investments are determined based on transaction value and is categorized as Level 1 measurement. Accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities and amounts due to Laramide Resources Ltd. are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value. Fair values of accounts receivable, accounts payable and accrued liabilities and amounts due to Laramide Resources Ltd are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements.

As at December 31, 2009, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Liquidity Risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2009, the Company had current assets of $1,409,354 (2008 - $689,525) and current liabilities of $638,259 (2008 - $644,582). All of the Company’s financial liabilities and receivables have contractual maturities of less than one year and are subject to normal trade terms. Current working capital of the Company as of December 31, 2009, is $771,095 (2008 - $44,943).

4. *Financial Risk Factors* (continued)

Sensitivity Analysis

The sensitivity analysis shown in the notes below may differ materially from actual results. Interest rate risk on cash equivalents is minimal as these have fixed interest rates.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

(i) The Company transacts business using the Canadian dollar, and the US dollar and maintains bank accounts in both currencies. As a result, fluctuations in the US dollar against the Canadian dollar could result in unanticipated fluctuations in the financial results of the Company. As at December 31, 2009, if foreign exchange rates had fluctuated by 10% with all other variables held constant, the loss for the year ended December 31, 2009 would be changed by $8,000, as a result of a change in foreign exchange gain/loss from cash and cash equivalents.

(ii) The Company's investments are subject to fair value fluctuations. As at December 31, 2009, if the fair value of investments had fluctuated by 10% with all other variables held constant, comprehensive loss for the year ended December 31, 2009 would have changed by $180,000.

5. Investments

The Company's investments are carried at fair value and are comprised of the following:

	Number of Shares	Dec 31 2009	Number of Shares	Dec 31 2008
Tiomin Resources	2,242,990	$ 56,075	2,242,990	$ 36,433
Aquiline Resources Inc.	-	-	98,803	169,941
Sierra Minerals Inc.	6,515,500	1,694,030	6,500,000	650,000
		1,750,105		856,374
Less: Aquiline shares classified to current		-		(169,941)
		$ 1,750,105		$ 686,433

6. Mineral Properties and Deferred Exploration Expenditures

A detailed breakdown of the Company's mineral properties and deferred exploration expenditures by property is as follows:

	Cerro Colorado Gold Mine	Goliath Gold Project	Lara - BC	Total
Balance, December 31, 2007	$ 13,636	$ 26,342,882	$ 3,992,315	$ 30,348,833
Additions 2008	(2,045)	4,618,060	18,559	4,634,574
Balance, December 31, 2008	11,591	30,960,942	4,010,874	34,983,407
Additions 2009	(11,591)	1,404,855	85,094	1,478,358
Balance, December 31, 2009	$ -	$ 32,365,797	$ 4,095,968	$ 36,461,765

Cerro Colorado Gold Mine, Mexico

In 2007, the Company acquired from Laramide a sliding production royalty based on gold prices and the aggregate production from a mine. On the first 100,000 ounces produced, Treasury Metals will receive a 2.0% sliding production royalty ("NSR") if gold prices are below US$350 per ounce and a 2.5% sliding production royalty if prices are above US$350 per ounce. These royalty rates escalate to 2.5% and 3.0% respectively once cumulative production exceeds 100,000 ounces.

Goliath Gold Project

The Goliath Gold Project is located in the Kenora Mining Division in north-western Ontario, 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay.

The Goliath Gold Project consists of 134 contiguous unpatented mining claims (234 units) and 17 patented land parcels. The total area of the Project is approximately 5,328 ha (~53km^2) covering portions of Hartman and Zealand townships. The Project comprises two historic properties which are now consolidated: the larger Thunder Lake Property, purchased from Teck Resources and Corona Gold Corp. and the Laramide Property. The Property has been expanded from its original size through additional claim staking and land purchases/options. Certain underlying royalties and payment obligations remain on 15 of the 17 patented land parcels totaling about $128,000 (2008 - $110,000) per year.

The Goliath Gold Project comprises three underlying properties: the Laramide Property, Thunder Lake Property and the Brisson Property.

Laramide Property, Ontario

In 2007, the Company acquired from Laramide a 100% interest in certain parcels of land, including surface and mineral rights totalling 411 acres in 3 patented land parcels, located in Zealand Township near Dryden, Ontario (collectively the "Laramide Property"). This interest is subject to a 2.0 - 2.5% NSR retained by the owners.

6. Mineral Properties and Deferred Exploration Expenditures (continued)

Thunder Lake Property, Ontario

In 2007, the Company and Laramide finalized and signed an agreement pursuant to which, Treasury Metals purchased 100% of Corona Gold Corporation's ("Corona") and Teck Resources ("Teck") respective interests in the Thunder Lake West, Thunder Lake East and certain adjacent properties in and around Dryden, Ontario (collectively the "Thunder Lake Property").

Brisson Property, Ontario

In December 2009, the Company acquired a 100% interest in certain parcels of land in the District of Kenora. Under the terms of the agreement, the Company is to make option payments totaling $100,000 and issue common shares of the Company equal to $100,000 based on the market price of the date issue. These payments are required as follows $25,000 and $25,000 worth of common shares on or before December 11, 2009, $20,000 and $25,000 worth of common shares on or before December 11, 2010, $20,000 and $25,000 worth of common shares on or before December 11, 2011 and $35,000 and $25,000 worth of common shares on or before December 11, 2012. As at December 31, 2009, the Company had paid $25,000 and issued 59,524 common shares of the Company with a market value of $25,000.

Lara Polymetallic Project, British Columbia

In 2007, the Company acquired from Laramide a 100% interest in and to the Lara Property located in the Victoria Mining Division, near Chemainus on southern Vancouver Island, British Columbia. The Lara Polymetallic Project, of which a portion was formerly owned by Laramide, comprises 47 mineral claims covering ~8,648 hectares.

The Company is committed to a 1.0% smelter return royalty, held by Argus Metals Corp. (formerly Bluerock Resources Ltd) on 8 mineral claims known as the Chemainus claims, located on Vancouver Island. These claims are on properties contiguous with the Lara Polymetallic Project.

7. Capital Stock

(a) Common Shares

Treasury Metals' authorized share capital consists of an unlimited number of Common shares.

The issued and outstanding Common shares are as follows:

	Number of Shares		Stated Value
COMMON SHARES			
Balance, December 31, 2007	20,567,258	$	31,395,656
Issued for cash consideration:			
Allocated fair value of common shares issued on conversion of unit special warrants	2,281,875		3,669,833
Conversion of flow-through special warrants	652,607		1,468,434
Issued for non-cash consideration:			
Issued on settlement of debenture	3,286,975		6,135,000
Share issue costs net of future income tax benefits	-		(487,526)
Fair value assigned to warrants issued	-		(100,721)
Fair value assigned to agent warrants issued	-		(443,167)
Balance, December 31, 2008	**26,788,715**	**$**	**41,637,509**
Issued for cash consideration:			
Private placement - May	**4,267,500**		**853,500**
Flow through private placement - December	**2,222,222**		**999,999**
Warrants exercised	**125,000**		**37,500**
Issued for non-cash consideration:			
Issued with respect to property allocations	**995,155**		**258,650**
Commission on private placement non-cash	**200,000**		**34,000**
Share issue costs net of future income tax benefits	**-**		**(73,000)**
Future tax liability pursuant to flow through shares renunciation	**-**		**(1,603,000)**
Fair value assigned to agent warrants issued	**-**		**(45,000)**
Fair value assigned to warrants issued	**-**		**(291,000)**
Fair value of contributed surplus transferred on exercise of warrants	**-**		**17,047**
Balance, December 31, 2009	**34,598,592**	**$**	**41,826,205**

7. Capital Stock (continued)

Private Placement – 2009
On May 22, 2009, the Company completed a non-brokered private placement financing by issuing 4,267,500 units at a price of $0.20 per unit for aggregate proceeds of $853,500. Each unit consists of one common share and one-half of one common share purchase warrant of the Company expiring in an eighteen month period. Each whole warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.30. In addition, the Company paid a cash finders fee of $3,000 and 200,000 common shares valued at $34,000.

A fair value of $291,000 was allocated to the warrants under the Black-Scholes option pricing model using the following assumptions: dividend yield 0%; expected volatility 234.40%; a risk free rate of 1.15% and an expected life of eighteen months.

On December 21, 2009, the Company completed a non-brokered private placement financing by issuing 2,222,222 flow-through common shares at a price of $0.45 per flow-through common share for aggregate proceeds of $999,999. In addition, the agent was paid a cash commission equal to 6% of the gross proceeds and was granted 133,333 finders warrants. Each finders warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.45 for two years.

A fair value of $45,000 was allocated to the broker options under the Black-Scholes option pricing model using the following assumptions: dividend yield 0%; expected volatility 192.66%; a risk free rate of 1.36% and an expected life of two years.

Private Placement – 2008
On March 24, 2008, the Company completed a brokered private placement of unit special warrants and flow-through special warrants (the “Offering”). Pursuant to the Offering, the Company issued an aggregate of: (i) 1,825,500 unit special warrants at a price of $2.00 per unit special warrant; and (ii) 652,607 flow-through special warrants at a price of $2.30 per flow-through special warrant for gross proceeds of $5,151,996. Aggregate cash costs in the amount of $487,651 were paid in conjunction with this financing. The Company issued 161,077 broker warrants, exercisable at $2.00 until July 2, 2010.

A fair value of $100,721 was allocated to the warrants under the Black-Scholes option pricing model using the following assumptions: dividend yield 0%; expected volatility 90%; a risk free rate of 2.74% and an expected life of two years.

i) Each unit special warrant was automatically exercised on July 2, 2008 (“Automatic Exercise Date”), for no additional consideration for one unit. Each unit was comprised of one 1.25 common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at $2.75 per share until July 2, 2010. A fair value of $443,167 was allocated to the warrants under the Black-Scholes option pricing model using the following assumptions: dividend yield 0%; expected volatility 90%; a risk free rate of 2.74% and an expected life of two years.

ii) Each flow-through special warrant was automatically exercised for no additional consideration, for one flow-through common share on the Automatic Exercise Date.

iii) The Company issued 3,286,975 common shares at $1.87 per share in settlement of the final payment for the debenture.

7. Capital Stock (continued)

Shares Issued with Respect to Property Allocations

Under the terms of the agreement to acquire the Thunder Lake Property, the Company is required to issue common shares of the Company to Corona and Teck to ensure that they maintain their ownership interests in the Company at 10% and 2.27% respectively, until such time that the Company has received $7.5 million in private placement financings. During the year, the Company issued 935,631 (2008 – 3,268,975) shares with a fair value of $233,650 (2008 – $6,135,000) under this agreement on private placement financings of $1,853,500 (2008 - $5,151,996). As at December 31, 2009, in the event that the Company completes a private placement financing, the Company is obligated under this agreement to issue shares to Corona and Teck to ensure that they maintain their ownership interests in the Company at 10% and 2.27% respectively, on the next $494,504 (2008 - $2,348,004) of private placement financing by the Company. In addition, under the terms of the Brisson property agreement (see note 6) the Company issued 59,524 common shares of the Company with a market value of $25,000.

(b) Warrants

The outstanding Issued Warrants balance at December 31, 2009, is comprised as follows:

Date of Expiry	Type	No. of Warrants	Exercise Price $
July 2, 2010	Finders Warrants	161,077	2.00
July 2, 2010 (i)	Warrants	912,750	0.60
November 22, 2010	Warrants	2,008,750	0.30
December 21, 2011	Finders Warrants	133,333	0.45
Total		**3,215,910**	

(i) During the year, the Company re-priced warrants which had an exercise price of $2.75 and adjusted the exercise price to $0.60. There was no financial impact to the Company's financial statements as a result of the repricing.

(c) Options

Treasury Metals has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at December 31, 2009, the Company has 302,859 (2008 – Nil) options available for issuance under the plan. Continuity of the unexercised options to purchase common shares is as follows:

As at December 31,	2009		2008	
	Weighted Average Exercise Price ($)	**No. of Options**	Weighted Average Exercise Price ($)	No. of Options
Outstanding at beginning of period	**-**	**-**	-	-
Transactions during the period:				
Granted	**0.30**	**3,157,000**	-	-
Outstanding at end of period	**0.30**	**3,157,000**	-	-
Exercisable at end of period	**0.30**	**3,047,000**	-	-

7. Capital Stock (continued)

The following table provides additional information about outstanding stock options at December 31, 2009:

Range of Exercise Prices ($)	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)	No. of Options Currently Exercisable	Weighted Average Exercise Price ($) of Exercisable Options
0.30	**3,157,000**	**4.5**	**0.30**	**3,047,000**	**0.30**

150,000 options granted on September 17, 2009 vest 10% on grant date and 10% per month until fully vested. All other options issued in the year vested immediately.

Stock-based compensation

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options issued during the year ended December 31, 2009:

		June-23-09	Aug-10-09	Sept-17-09	Sept-17-09	Total
Number of options granted		2,842,000	150,000	150,000	15,000	
Risk-free interest rate		2.55%	2.66%	2.59%	2.59%	
Expected life years		5	5	5	5	
Expected volatility		212.73%	227.05%	203.82%	203.82%	
Exercise price	$	0.30	0.30	0.30	0.30	
Expected dividends		-	-	-	-	
Fair value of stock based compensation	$	698,000	25,000	30,000	3,000	756,000
Stock based compensation -statement of operations	$	508,000	25,000	8,000	3,000	544,000
Stock based compensation allocated to deferred costs	$	190,000	-	-	-	190,000

The weighted average grant-date fair value of options granted during the year was $0.24 (2008 – Nil) per option issued.

8. Contributed Surplus

Balance at December 31, 2007	$ -
Fair value of issued warrants	543,888
Balance at December 31, 2008	**543,888**
Fair value of issued options	**734,000**
Fair value of issued warrants	**336,000**
Fair value transferred on exercised warrants	**(17,047)**
Balance at December 31, 2009	**$ 1,596,841**

9. Related Party Transactions and Balances

Certain corporate entities and consultants that are related to the Company's officers and directors or persons holding more than 10% of the issued and outstanding shares of the Company provide consulting and other exploration related services to Treasury Metals.

i) On January 22, 2008, Laramide Resources Ltd. ("Laramide") announced details of the spin-off of certain non-uranium assets to Treasury Metals, the then wholly-owned subsidiary of Laramide. As part of the transaction, Laramide transferred to Treasury Metals with an effective date of December 27, 2007, most of its shareholdings in Sierra Minerals Inc., Tiomin Resources (originally Alliance Pacific Resources), and $8.5 million of its shareholdings in Aquiline Resources Inc. Certain of Laramide's non-uranium assets including the Goliath Gold Project and its polymetallic base metal and gold property known as the Lara Project on Vancouver Island, and Laramide's 2.5% Net Smelter Royalty on gold production of the Sierra Minerals Cerro Colorado mine were also transferred to Treasury Metals. Investments and mineral properties and related deferred costs were transferred to Treasury Metals at their carrying value. Consideration for the assets transferred was made through the issuance of common shares and the payment of cash. This transaction was not in the normal course of business.

ii) Treasury Metals was charged $245,337 for the year ended December 31, 2009 (2008 - $1,341,000) by a company which an officer and director has an interest. This company provides technical and professional services. These charges are all included in mineral properties and related deferred costs. Included in accounts payable at December 31, 2009, there is an amount of $40,559 (2008- $204,000) with respect to these services.

iii) At December 31, 2009, $3,958 was due to Laramide (2008 – $24,270 was owed from). The amounts due and from Laramide are the result of expenses paid by Laramide on behalf of Treasury Metals, cash advanced to Treasury Metals, and for the non-share consideration on the transfer of investments and mineral properties from Laramide to Treasury Metals. Treasury Metals agreed in 2008 to exchange 842,504 common shares of Aquiline Resources Inc. with Laramide for $5.05 million in debt owed to Laramide, resulting in a loss of $2,552,787. This transaction was not in the normal course of business and was recorded at the exchange amount.

iv) During the year ended December 31, 2009, $80,124 (2008 - $230,000) was charged by a law firm where an officer of Treasury Metals is an employee and other officers charged $62,000 (2008 - $46,000) in professional fees of these amounts $76,585 (2008 – $145,000) is in accounts payable at the end of the period. Aquiline Resources Inc. charged $72,044 (2008 - $107,000) for offices space and services $84,892 (2008 - $46,500) is still included in accounts payable (the Company and Aquiline have several common directors).

Transactions in (ii) and (iv) were conducted in the normal course of operations and are measured at the exchange amounts.

10. Income Taxes

Future Income Tax Recovery

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2009	2008
	$	$
Loss before income taxes	**(1,335,483)**	(2,998,031)
Combined Statutory rate	**33.00%**	33.50%
Estimated recovery of income taxes	**(441,000)**	(1,004,000)
Non-taxable portion of capital loss	**40,000**	428,000
Difference between current and future tax rates	**52,000**	84,000
Stock-based compensation	**180,000**	-
Other	**192,000**	(201,000)
Change in valuation allowance	**(652,000)**	693,000
Future income tax recovery	**(629,000)**	-

The Canadian statutory income tax rate of 33.0% (2008 - 33.5%) is comprised of the federal income tax rate at approximately 19.0% (2008 – 19.5%) and the provincial income tax rate of approximately 14.00% (2008 – 14.00%). The primary differences which give rise to the future income tax recoveries at December 31, 2009 and 2008 are as follows:

	2009	2008
	$	$
Future income tax assets		
Share issuance costs and other	**132,000**	176,000
Excess of book value of invesments	**195,000**	461,000
Capital losses carried forward	**350,000**	370,000
Non-capital losses carried forward	**207,000**	190,000
Other	**1,000**	-
	885,000	1,197,000
Less : valuation allowance	**(545,000)**	(1,197,000)
Net future tax assets	**340,000**	-
Future tax liabilities		
Deferred exploration expenses	**(1,290,000)**	-
Net future taxes	**(950,000)**	-

The unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately $527,000 (2008 - $599,000) and will be deductible in Canada over the next 4 years.

10. Income Taxes (continued)

The Company has available for carry forward non-capital losses of $830,000 (2008 - $657,000) and Capital losses of $2,798,000 (2008 - $2,553,000). As at December 31, 2009, the non-capital losses carry forwards expire as follows:

December 31, 2027	$	65,000
December 31, 2028		592,000
December 31, 2029		173,000
	$	830,000

11. Commitments and Contractual Obligations

As of February 12, 2010 (date of renunciation) the Company is committed to spending approximately $915,000 on Canadian exploration costs by December 31, 2010 as part of its 2009 flow-through funding agreements.